

**CMP: INR 199**

**Rating: BUY**

**Target Price: INR 403**

**Stock Info**

BSE	543517
NSE	HARIOMPIPE
Sector	Steel
Face Value (Rs)	10
Equity Capital (Rs cr)	17
Mkt Cap (Rs cr)	507
52w H/L (INR)	248 / 191

**Shareholding Pattern %**

(As on Mar, 2022)

Promoters	66.03
DII	1.01
FII	8.60
Public & Others	24.36

**Abhishek Jain**

abhishek.jain@arihantcapital.com  
022-422548871

**Balasubramanian A**

balasubramanian@arihantcapital.com

**Hariom Pipe Industries Ltd (HPIL)** reported strong numbers, FY22 revenue stood at INR 431cr (+69% YoY); beats our estimates of INR 410cr. EBITDA stood at INR 56cr (+19% YoY), in line with our estimates of INR 55cr. EBITDA Margin contracted by 46 bps to 13% vs 13.5% in FY21. The slight reduction in EBITDA Margin mainly due to increase in employee cost in terms of sales. In FY22, employee cost in terms of sales stood at 5% vs 3.7% in FY21. PAT stood at INR 32cr (111% YoY) vs our estimates of INR 27cr, PAT Margin expanded by 147bps to 7.4% vs 6% in FY21.

**Q4FY22 Result update**

Hariom Pipe Industries Ltd reported strong numbers, Q4FY22 revenue grew by 32.6% YoY (+17.7% QoQ) to INR 124cr, due to higher volumes with better realization per tonne.

EBITDA stood at INR 17cr (+36.6% YoY/+28.2% QoQ), EBITDA Margin improved by 40 bps to 13.8% vs 13.4% in Q4FY21. The margin improvement mainly due to reduction in raw material cost in terms of sales. The raw material cost in terms of sales stood at 67.7% vs 70.9% in Q4FY21. The backward integration between Unit I and Unit II plants leads to cost effectiveness. The cost effectiveness is yielding better returns compared to other players.

The employee cost and power & fuel cost increased in terms of sales. The employee cost rose in terms of sales due to increased employee counts and wages. The Employee cost in terms of sales stood at 5% vs 3.5% vs Q4FY21. The power and fuel cost in terms of sales stood at 12.2% vs 10.4% in Q4FY21. The power and fuel cost rose across the industry due to unavailability of coals & fuels and supply chain disruptions in international markets.

PAT stood at INR 10cr (+44.5% YoY/+4.8% QoQ), PAT Margin expanded by 64bps to 7.9% vs 7.2% in Q4FY21.

**Outlook & Valuation:** HPIL has witnessed strong revenue growth (47.7% CAGR) from FY19-FY22, strategically located plants with integration, competitive pricing of the products, cost effectiveness, expanding network, experienced management and capacity expansion would drive the growth going forward. At the CMP of INR 199 per share, the stock is trading at a EV/EBITDA multiple of 5.9x/3.5x its FY23E/FY24E EBITDA of INR 101cr/186cr respectively. We have a BUY rating at a TP of INR 403 per share; valued at EV/EBITDA multiple 4.2x and its FY24E EBITDA of INR 186cr; an upside of 102.6%.

Particular (INR cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	134	161	254	431	730	1,175
EBITDA	17	23	34	56	101	186
EBITDA Margin (%)	12.7%	14.6%	13.5%	13.0%	13.8%	15.8%
PAT	8	8	15	32	62	116
PAT Margin (%)	6.0%	4.9%	6.0%	7.4%	8.5%	9.9%
EPS (INR)	6	6	9	19	24	46

Source: Company, Arihant Capital Research

## Q4FY22 Result update

## Income statement summary

Particular (INR cr)	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ(%)
<b>Revenue</b>	<b>94</b>	<b>106</b>	<b>124</b>	32.6%	17.7%
Net Raw Materials	66	72	84	26.6%	17.3%
Employee Cost	3	5	6	86.5%	15.7%
Power & Fuel Cost	10	14	15		
Other Expenses	2	2	2	0.8%	3.5%
<b>EBITDA</b>	<b>13</b>	<b>13</b>	<b>17</b>	<b>36.6%</b>	<b>28.2%</b>
<b>EBITDA (%)</b>	<b>13.4%</b>	<b>12.7%</b>	<b>13.8%</b>	40 bps	113 bps
Depreciation	2	2	2		
Interest expense	2	2	2		
Other income	0	2	0		
Exceptional Items	-	-	-		
<b>Profit before tax</b>	<b>9</b>	<b>12</b>	<b>13</b>	42.3%	11.9%
Taxes	2	2	3		
<b>PAT</b>	<b>7</b>	<b>9</b>	<b>10</b>	44.5%	4.8%
<b>PAT Margin (%)</b>	<b>7.2%</b>	<b>8.8%</b>	<b>7.9%</b>	64 bps	-96 bps
Minorities and other	-	(0)	-		
Other Comprehensive income	0	-	(0)		
<b>Net profit</b>	<b>7</b>	<b>9</b>	<b>10</b>		
<b>Net Profit Margin (%)</b>	<b>7.2%</b>	<b>8.8%</b>	<b>7.8%</b>	58 bps	-103 bps
EPS (INR)	4	5	6		

Source: Company Reports, Aриhant Capital Research

## Capex plan would lead better business visibility

Particular	FY20	FY21	FY22	FY23E	FY24E
<b>Installed Capacity (MT)</b>					
MS BILLETS	74,400	95,832	95,832	104,232	249,744
HR STRIPS	84,000	84,000	84,000	124,000	250,000
MS TUBES	84,000	84,000	84,000	132,000	250,000
SPONGE IRON	-	36,000	36,000	36,000	126,000
SCAFFOLDING	1,000	1,000	1,000	1,000	1,000
GP PIPE	-	-	-	100,000	100,000
<b>Total Installed Capacity</b>	<b>243,400</b>	<b>300,832</b>	<b>300,832</b>	<b>497,232</b>	<b>976,744</b>
<b>Capacity Utilization (MT)</b>					
MS BILLETS	46,276	45,339	88,309	96,049	230,139
HR STRIPS	34,280	45,070	77,406	114,266	212,262
MS TUBES	24,183	32,403	55,967	81,797	144,191
SPONGE IRON	-	22,578	25,200	28,800	107,100
SCAFFOLDING	980	315	650	657	664
GP PIPE	-	-	-	30,249	45,373
<b>Capacity Utilization (%)</b>					
MS BILLETS	62%	47%	92%	90%	92%
HR STRIPS	41%	54%	92%	92%	85%
MS TUBES	29%	39%	67%	62%	58%
SPONGE IRON	0%	63%	70%	80%	85%
SCAFFOLDING	98%	32%	65%	66%	66%
GP PIPE	-	-	-	30%	45%
<b>Sales (MT)</b>					
Sponge	-	20,551	-	-	-
Furnace	9,972	1,590	1,500	-	-
Rolling	11,008	11,518	24,600	20,000	20,000
Pipe	22,896	26,896	57,060	80,000	142,000
Scaffolding	1,012	185	642	641	648
GP Unit	-	-	-	30,000	45,000
<b>Total Sales (MT)</b>	<b>44,888</b>	<b>60,740</b>	<b>83,802</b>	<b>130,641</b>	<b>207,648</b>
Average Selling Price per MT (INR)	35,818	41,841	51,378	55,868	56,568
<b>Total Revenue from operations (INR cr)</b>	<b>161</b>	<b>254</b>	<b>431</b>	<b>730</b>	<b>1,175</b>

Source: Company, Aриhant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	134	161	254	431	730	1,175
Net Raw Materials	84	91	173	291	493	787
Employee Cost	6	8	10	21	33	47
Other Expenses	27	38	37	62	104	155
<b>EBITDA</b>	<b>17</b>	<b>23</b>	<b>34</b>	<b>56</b>	<b>101</b>	<b>186</b>
<b>EBITDA (%)</b>	<b>12.7%</b>	<b>14.6%</b>	<b>13.5%</b>	<b>13.0%</b>	<b>13.8%</b>	<b>15.8%</b>
Depreciation	(2)	(5)	(6)	(8)	(9)	(18)
Interest expense	(4)	(7)	(8)	(8)	(9)	(12)
Other income	0	0	1	3	3	5
<b>Profit before tax</b>	<b>12</b>	<b>11</b>	<b>21</b>	<b>43</b>	<b>86</b>	<b>161</b>
Taxes	(4)	(3)	(6)	(11)	(24)	(45)
<b>Net profit</b>	<b>8</b>	<b>8</b>	<b>15</b>	<b>32</b>	<b>62</b>	<b>116</b>
<b>Reported Netprofit Margin (%)</b>	<b>6.0%</b>	<b>4.9%</b>	<b>6.0%</b>	<b>7.4%</b>	<b>8.5%</b>	<b>9.9%</b>
Other Comprehensive income	(0)	0	0	(0)	-	-
<b>Net profit</b>	<b>8</b>	<b>8</b>	<b>15</b>	<b>32</b>	<b>62</b>	<b>116</b>
EPS (INR)	6	6	9	19	24	46

Source: Company Reports, Arianth Capital Research

## Balance sheet summary

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity capital	13	13	17	17	25	25
Reserves	23	35	54	84	146	253
<b>Net worth</b>	<b>36</b>	<b>48</b>	<b>71</b>	<b>101</b>	<b>171</b>	<b>278</b>
Provisions	0	0	0	0	0	1
Debt	57	71	90	91	91	156
Other non-current liabilities	1	2	4	3	11	18
<b>Total Liabilities</b>	<b>94</b>	<b>122</b>	<b>164</b>	<b>196</b>	<b>274</b>	<b>453</b>
Fixed assets	43	49	59	54	57	139
Capital Work In Progress	-	0	8	10	9	17
Investments	0	0	0	1	2	4
Other non current assets	0	0	0	1	1	2
<b>Net working capital</b>	<b>47</b>	<b>70</b>	<b>95</b>	<b>131</b>	<b>197</b>	<b>280</b>
Inventories	39	60	80	115	162	226
Sundry debtors	10	23	20	27	60	97
Other current assets	7	5	5	9	24	39
Sundry creditors	(8)	(15)	(4)	(10)	(34)	(54)
Other current liabilities & Prov	(2)	(3)	(5)	(9)	(15)	(27)
Cash	4	2	1	0	6	9
Other Financial Assets	0	0	0	-	1	2
<b>Total Assets</b>	<b>94</b>	<b>122</b>	<b>165</b>	<b>196</b>	<b>274</b>	<b>453</b>

Source: Company Reports, Arianth Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
Profit before tax	12	11	21	43	86	161
Depreciation	2	5	6	8	9	18
Tax paid	(4)	(3)	(6)	(11)	(24)	(45)
Working capital Δ	(47)	(23)	(26)	(35)	(66)	(83)
<b>Operating cashflow</b>	<b>(37)</b>	<b>(10)</b>	<b>(4)</b>	<b>5</b>	<b>5</b>	<b>50</b>
Capital expenditure	(45)	(12)	(24)	(4)	(12)	(107)
<b>Free cash flow</b>	<b>(82)</b>	<b>(22)</b>	<b>(28)</b>	<b>0</b>	<b>(7)</b>	<b>(57)</b>
Equity raised	28	4	7	(2)	9	-
Investments	(0)	(0)	(0)	(0)	(2)	(1)
Others	(0)	0	(0)	(0)	(2)	(2)
Debt financing/disposal	57	14	19	2	-	65
Dividends paid	-	-	-	-	-	(9)
Other items	1	1	1	(0)	8	7
<b>Net Δ in cash</b>	<b>4</b>	<b>(2)</b>	<b>(1)</b>	<b>(0)</b>	<b>5</b>	<b>3</b>
<b>Opening Cash Flow</b>	<b>-</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>6</b>
<b>Closing Cash Flow</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>6</b>	<b>9</b>

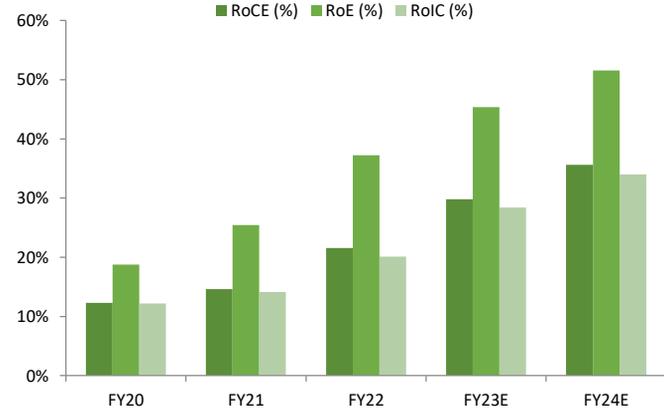
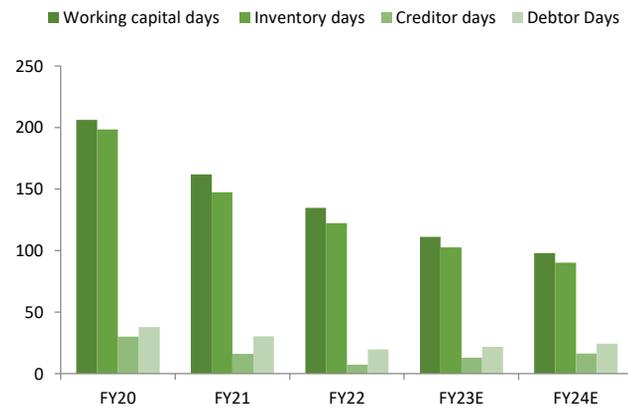
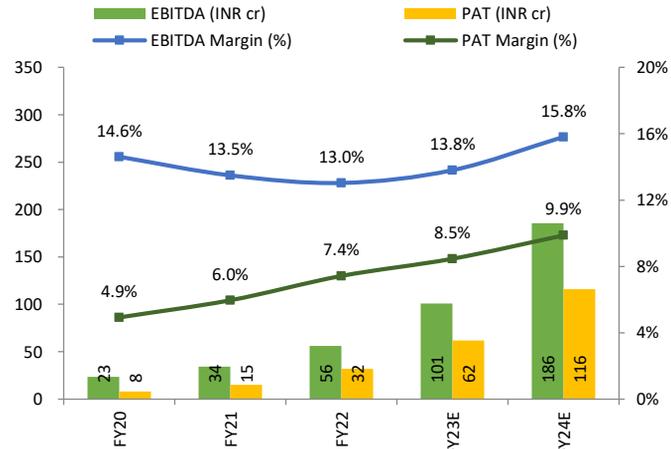
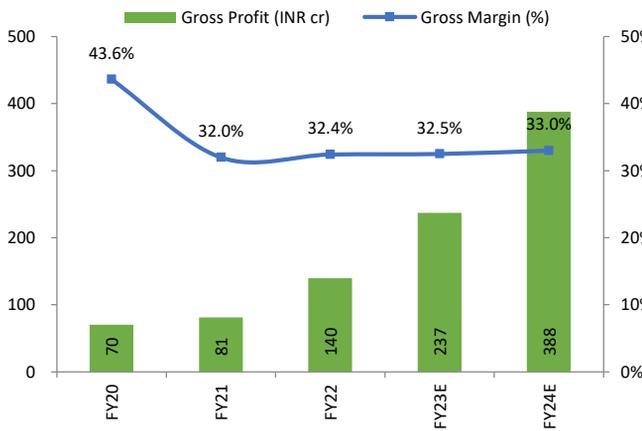
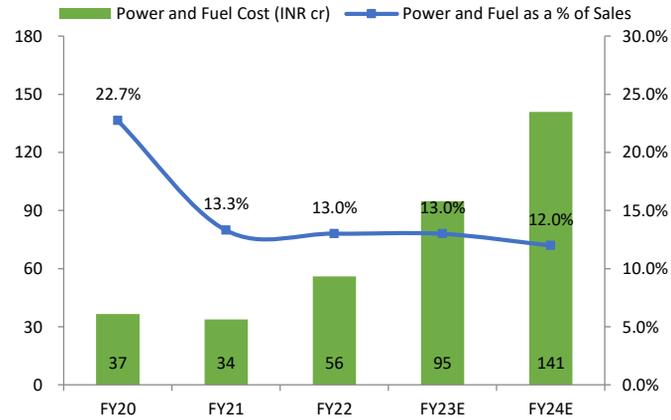
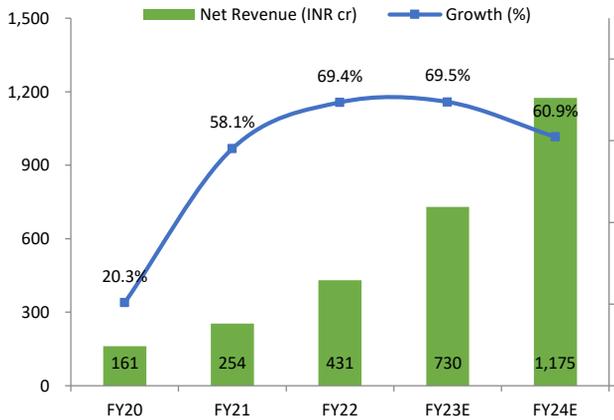
Source: Company Reports, Arianth Capital Research

## Ratio analysis

Y/e 31 Mar (INR cr)	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Growth matrix (%)</b>						
Revenue growth	20.3%	58.1%	69.4%	69.5%	60.9%	
Op profit growth	37.9%	46.0%	63.7%	79.5%	84.3%	
<b>Profitability ratios (%)</b>						
OPM	12.7%	14.6%	13.5%	13.0%	13.8%	15.8%
Net profit margin	6.0%	4.9%	6.0%	7.4%	8.5%	9.9%
RoCE	11.2%	12.3%	14.6%	21.5%	29.8%	35.6%
RoNW	22.2%	18.7%	25.4%	37.2%	45.4%	51.6%
RoA	8.5%	6.5%	9.2%	16.3%	22.5%	25.6%
<b>Per share ratios (INR)</b>						
EPS	6.0	6.0	8.9	18.8	24.2	45.5
Dividend per share	-	-	-	-	-	3.5
Cash EPS	7.7	9.9	12.6	23.6	27.9	52.4
Book value per share	27.3	36.5	41.7	59.5	67.2	109.3
<b>Valuation ratios (x)</b>						
P/E	32.9	33.1	22.3	10.6	8.2	4.4
P/CEPS	25.9	20.2	15.8	8.4	7.1	3.8
P/B	7.3	5.5	4.8	3.3	3.0	1.8
EV/EBITDA	18.6	14.1	12.4	7.6	5.9	3.5
<b>Payout (%)</b>						
Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%	7.6%
Tax payout	31.1%	30.2%	28.6%	24.9%	28.0%	28.0%
<b>Liquidity ratios</b>						
Debtor days	29	38	30	20	22	24
Inventory days	169	198	147	122	103	90
Creditor days	24	30	16	7	13	16
WC Days	174	206	162	135	111	98
<b>Leverage ratios (x)</b>						
Interest coverage	4.2	2.5	3.7	5.9	10.6	14.4
Net debt / equity	1.5	1.4	1.3	0.9	0.5	0.5
Net debt / op. profit	3.1	2.9	2.6	1.6	0.8	0.8

Source: Company Reports, Arianth Capital Research

**Story in Charts**



Source: Company reports, Aриhant Capital Research

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880